

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7484

BILL NUMBER: SB 178

DATE PREPARED: Feb 9, 2001

BILL AMENDED: Feb 8, 2001

SUBJECT: Property tax administration.

FISCAL ANALYST: Bob Sigalow

PHONE NUMBER: 232-9859

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill permits a claim on an amended personal property tax return of any adjustment or exemption that would have been allowable on the original return. It establishes a procedure for obtaining a property tax credit or refund under certain conditions when an amended personal property tax return has reduced the taxpayer's property tax liability.

The bill specifies the procedures for the filing and processing of petitions for correction of error with respect to property tax assessments. It adjusts the qualifications for membership of the property tax assessment board of appeals.

The bill provides that rules of the State Board of Tax Commissioners governing the practice of representatives in proceedings before the State Board or a Property Tax Board of Appeals may not: (1) restrict the ability to practice before the agency to attorneys unless certain matters are under consideration in the proceeding; or (2) restrict admissibility of evidence to the agency based on the manner in which the taxpayer's representative or other witness is compensated.

Effective Date: Upon passage; July 1, 2001.

Explanation of State Expenditures: (Revised) *Property Tax Appeal Representation:* The State Board of Tax Commissioners is currently required to adopt rules governing the practice of representatives before the State Board of Tax Commissioners and the county property tax assessment board of appeals. Except in cases involving exemptions, illegal taxes, assessment constitutionality, or other matters that involve the practice of law, the bill would prohibit the State Tax Board rules from restricting the ability of a representative to practice before the county property tax assessment board of appeals and the State Tax Board just because the representative is not an Indiana attorney. Under the proposal, the rules also would not be able to restrict the admissibility of testimony based on the method by which the representative or a witness is compensated.

Explanation of State Revenues: *Amended Returns:* The State levies a tax rate for State Fair and State Forestry. Any reduction in the assessed value base will reduce the property tax revenue for these two funds.

Explanation of Local Expenditures: (Revised) *Correction of Errors:* Under current law, the county auditor is required to correct the following errors found on the tax duplicate:

- 1) Property description errors;
- 2) Assessments against the wrong person;
- 3) Duplicate assessments;
- 4) Mathematical errors on tax and penalty computations;
- 5) Delinquencies carried forward in error;
- 6) Illegal taxes;
- 7) Mathematical errors on assessment computations; or
- 8) Failure by a local or state officer to give credit for an exemption or deduction.

Current law requires the county auditor to correct errors 1 - 5 when the auditor finds that the errors exist. The auditor may not correct errors 6 - 8 without State Tax Board approval (if the assessment is based on a Tax Board determination) or local assessing official approval (if the assessment is not state-based). Also, petitions to correct errors 6 - 8 are filed with the county auditor, but there are no opportunities to file a petition to correct errors 1 - 5.

The bill would allow a taxpayer, an elected assessing official, or a county auditor to file a petition to correct errors 1 - 8 with the county assessor. A taxpayer would not be able to file the petition after three years past the original due date of the taxes. The three year limit coincides with the current time limit for issuing refunds. The county assessor would record the petition in an appeal log and send copies of the petition to the township assessor and county auditor. If the petition is filed by an assessing official or a county auditor, then that official must make notification to the taxpayer describing the property and the petition. The bill requires the county auditor to correct an error that falls under reasons 1 - 5 above when the auditor becomes aware of its existence, whether or not a petition to correct the error has been filed.

This provision moves the responsibilities regarding the filing and handling of petitions to correct errors from the county auditor to the county assessor. The administrative expense would also move from the auditor to the assessor.

Property Tax Board of Appeals: This bill makes several changes to the composition of the county property tax assessment board of appeals (appeals board). Currently, the county commissioners must appoint at least one certified level 2 assessor-appraiser to the appeals board. Under this proposal, the county commissioners' appointments would not have to be level 2 assessor-appraisers if the county assessor is a certified level 2 assessor-appraiser. The bill would prohibit a county or township employee, except for the county assessor, from serving on the appeals board in their county of employment. Additionally, the bill would allow a board member of one county to serve on the board of another county at the same time.

Some smaller Indiana counties may currently be having difficulty in filling vacancies on the appeals board with qualified persons under current law. The above changes may allow these counties to make all of the necessary appointments to the appeals board.

Explanation of Local Revenues: (Revised) *Amended Returns:* Under current law, personal property taxpayers are able to file an amended return within six months of the original filing date or the extended filing date if the taxpayer was granted an extension. This bill would allow taxpayers to claim adjustments

and exemptions on the amended return that would have been allowable on the original return. This provision could have the effect of reducing assessed valuations on some personal property.

Currently, the amended return can be filed by November 15, or by December 14 if the original return was filed with an extension. These dates are after the time when the assessed values are used in preliminary budget computations. The State Tax Board must finalize all budget orders by February 15.

As amended, the bill provides that taxpayer would make payments based on the new assessed valuation only if the amended return is filed by July 15. If the amended return is filed after July 15 then the taxpayer would pay taxes on the original valuation and then receive a credit for the difference. The credit may be used against the property tax liabilities for up to two succeeding years. If there is still an unused credit amount after two years, that amount would be refunded. This provision would allow the affected taxing units to adjust their tax rates in subsequent years to pay back the over-collection of taxes. This would keep the taxing units from experiencing a shortfall due to the amended return.

State Agencies Affected: State Board of Tax Commissioners.

Local Agencies Affected: All elected assessing officials.

Information Sources: